

**BOYD COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2005**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Boyd County School District  
Ashland, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyd County School District (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Boyd County School District. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005, on our consideration of Boyd County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boyd County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedule of expenditures of federal awards contained on pages 45 and 46 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Boyd County School District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kelley, Galloway & Company, PSC*  
July 20, 2005

**BOYD COUNTY SCHOOL DISTRICT – ASHLAND, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2005**

As management of the Boyd County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- Revenue in the General Fund, excluding on-behalf payments, decreased from \$17.4 million in 2004 to \$17.3 million in 2005. The decrease of approximately \$100,000 was due to a 1% decrease in student attendance, upon which state funding is based.
- The Board initiated no new major construction projects nor issued bonds in fiscal 2005. The District’s total debt decreased by \$1,193,578 during the current fiscal year.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. The District revised its facilities plan during the current year. The revised plan was approved by the Kentucky State Board of Education and is now the facilities plan of record. It’s top priority is the construction of a new high school building to replace the existing one.
- Adequate state funding for education continues to be a concern for all Kentucky school districts. During the 2005 fiscal year, the Governor and General Assembly forced all state school districts to give their employees a 1.5% salary increase to be paid from local funding sources. This raise is to become state funded in fiscal 2006 and in subsequent years. This unfunded mandate cost the District approximately \$200,000 in 2005, which will not be recovered.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 - 20 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 33 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16.6 million as of June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2005 as compared to June 30, 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current Assets	\$ 2,832,203	\$ 3,566,169
Noncurrent Assets	25,259,824	25,998,024
<b>Total Assets</b>	<u>\$ 28,092,027</u>	<u>\$ 29,564,193</u>
Current Liabilities	\$ 1,868,452	\$ 1,649,137
Noncurrent Liabilities	9,653,538	10,916,188
<b>Total Liabilities</b>	<u>11,521,990</u>	<u>12,565,325</u>
<b>Net Assets</b>		
Investment in capital assets (net of debt)	14,679,824	14,238,024

Unreserved Fund Balance	<u>1,890,213</u>	<u>2,760,844</u>
<b>Total Net Assets</b>	<b><u>\$ 16,570,037</u></b>	<b><u>\$ 16,998,868</u></b>

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2005 and 2004, net of inter-fund transfers, were \$29.0 million and \$29.5 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$29.8 million and \$27.1 million, net of debt service for the fiscal years ended June 30, 2005 and 2004, respectively.

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2005 and 2004, respectively.

	<u>2005 Amount</u>	<u>2004 Amount</u>
<b>Revenues:</b>		
Local revenue sources	\$ 7,417,858	\$ 7,155,513
State revenue sources	17,778,980	17,725,177
Direct Federal sources	2,118,655	1,934,702
Indirect Federal sources	3,217,328	2,904,530
Interest income	144,808	109,691
Other sources	12,177	27,251
<b>Total revenues</b>	<u>30,689,806</u>	<u>29,856,864</u>
<b>Expenses:</b>		
Instruction	19,201,718	18,655,648
Student Support Services	1,386,044	1,282,826
Instructional Support	1,114,296	765,133
District Administration	805,812	950,319
School Administration	1,331,187	1,249,031
Business Support	401,711	362,304
Plant Operations	2,452,799	2,176,133
Student Transportation	1,841,445	1,527,515
Non-instructional	-	65,766
Community Services	339,005	366,890
Food service operations	1,704,524	1,585,434
Debt service	540,096	575,554
<b>Total expenses</b>	<u>31,118,637</u>	<u>29,562,553</u>
<b>Revenue over (under) expenses</b>	<u>\$ (428,831)</u>	<u>\$ 294,311</u>

#### Comments on Budget Comparisons

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$280,428 more than budget or approximately 2.0%.

#### FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget for 2006 with \$591,519 in contingency (2.05%). The Governmental Funds beginning cash balance for beginning the fiscal year is \$1.8 million. There was no significant Board action that impacted the finances during the current year.



Questions regarding this report should be directed to Superintendent Howard K. Osborne (606) 928-4141 or to Director of Finance Don Fleu (606) 928-4141 or by mail at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,878,742	\$ 146,563	\$ 2,025,305
Receivables (net of allowances for uncollectibles):			
Taxes	300,563	-	300,563
Other	25,640	-	25,640
Intergovernmental - state	325,366	-	325,366
Intergovernmental - federal	80,165	20,813	100,978
Inventories	-	54,351	54,351
Land	1,270,900	-	1,270,900
Capital assets, being depreciated, net	23,824,984	163,940	23,988,924
Total assets	<u>27,706,360</u>	<u>385,667</u>	<u>28,092,027</u>
<b>Liabilities</b>			
Accounts payable	380,257	-	380,257
Accrued salaries and benefits payable	1,223	-	1,223
Deferred revenue	170,419	-	170,419
Noncurrent liabilities:			
Portion due or payable within one year:			
Bond obligations	1,235,000	-	1,235,000
Note payable	11,553	-	11,553
Accrued sick leave	70,000	-	70,000
Portion due or payable after one year:			
Bond obligations	9,345,000	-	9,345,000
Accrued sick leave	308,538	-	308,538
Total liabilities	<u>11,521,990</u>	<u>-</u>	<u>11,521,990</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,515,884	163,940	14,679,824
Unrestricted	1,668,486	221,727	1,890,213
Total net assets	<u>\$ 16,184,370</u>	<u>\$ 385,667</u>	<u>\$ 16,570,037</u>

The accompanying notes to financial statements are an integral part of this statement.

BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 19,201,718	\$ 132,115	\$ 4,390,349	\$ -	\$ (14,679,254)	\$ -	\$ (14,679,254)
Support services:							
Students	1,386,044	-	430,330	-	(955,714)	-	(955,714)
Instructional staff	1,114,296	-	424,048	-	(690,248)	-	(690,248)
District administration	805,812	-	1,264	-	(804,548)	-	(804,548)
School administration	1,331,187	-	196,483	-	(1,134,704)	-	(1,134,704)
Business and other support services	401,711	-	31,494	-	(370,217)	-	(370,217)
Operation and maintenance of plant	2,452,799	-	80,007	-	(2,372,792)	-	(2,372,792)
Student transportation	1,841,445	150	128,386	-	(1,712,909)	-	(1,712,909)
Community services	339,005	-	337,346	-	(1,659)	-	(1,659)
Debt service	540,096	-	-	1,002,912	462,816	-	462,816
Total governmental activities	29,414,113	132,265	6,019,707	1,002,912	(22,259,229)	-	(22,259,229)
Business-type activities:							
Food service	1,704,524	519,263	1,163,137	-	-	(22,124)	(22,124)
Total business-type activities	1,704,524	519,263	1,163,137	-	-	(22,124)	(22,124)
Total primary government	\$ 31,118,637	\$ 651,528	\$ 7,182,844	\$ 1,002,912	\$ (22,259,229)	\$ (22,124)	\$ (22,281,353)
General revenues:							
Taxes:							
Property taxes, levied for general purposes		\$ 3,849,114	\$ -	\$ -	\$ 3,849,114	\$ -	\$ 3,849,114
Motor vehicle		776,433	-	-	776,433	-	776,433
Utilities		1,795,367	-	-	1,795,367	-	1,795,367
Intergovernmental revenues:							
State		14,929,207	-	-	14,929,207	-	14,929,207
Investment earnings		142,522	-	2,286	144,808	-	144,808
Gain on disposal of capital assets		12,177	-	-	12,177	-	12,177
Other local revenues		345,416	-	-	345,416	-	345,416
Total general revenues and transfers		21,850,236	-	-	21,850,236	2,286	21,852,522
Change in net assets		(408,993)	-	-	(408,993)	(19,838)	(428,831)
Net assets, June 30, 2004		16,593,363	-	-	16,593,363	405,505	16,998,868
Net assets, June 30, 2005		\$ 16,184,370	\$ -	\$ -	\$ 16,184,370	\$ 385,667	\$ 16,570,037

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,010,301	\$ (160,018)	\$ 28,459	\$ 1,878,742
Receivables (net of allowances for uncollectibles):				
Property taxes	300,563	-	-	300,563
Other	25,640	-	-	25,640
Intergovernmental - state	-	325,366	-	325,366
Intergovernmental - federal	52,840	27,325	-	80,165
Total assets	<u>\$ 2,389,344</u>	<u>\$ 192,673</u>	<u>\$ 28,459</u>	<u>\$ 2,610,476</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 330,590	\$ 22,254	\$ 27,413	\$ 380,257
Accrued salaries and benefits payable	1,223	-	-	1,223
Note payable	11,553	-	-	11,553
Deferred revenue	-	170,419	-	170,419
Total liabilities	<u>343,366</u>	<u>192,673</u>	<u>27,413</u>	<u>563,452</u>
<b>Fund balances:</b>				
Reserved for encumbrances	24,302	-	-	24,302
Reserved for accrued sick leave	70,000	-	-	70,000
Unreserved -				
Designated for capital expenditures	276,898	-	1,046	277,944
Undesignated	1,674,778	-	-	1,674,778
Total fund balances	<u>2,045,978</u>	<u>-</u>	<u>1,046</u>	<u>2,047,024</u>
Total liabilities and fund balances	<u>\$ 2,389,344</u>	<u>\$ 192,673</u>	<u>\$ 28,459</u>	<u>\$ 2,610,476</u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Fund balances—total governmental funds	\$ 2,047,024
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,095,884
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(10,958,538)</u>
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Net assets of governmental activities	<u>\$ 16,184,370</u>
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The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes -				
Property	\$ 3,186,463	\$ -	\$ 662,651	\$ 3,849,114
Motor vehicles	776,433	-	-	776,433
Utilities	1,795,367	-	-	1,795,367
Tuition and fees	31,013	-	-	31,013
Interest income	132,092	716	9,714	142,522
Other local revenues	323,194	123,474	-	446,668
Intergovernmental - State	14,954,350	1,565,649	1,002,912	17,522,911
Intergovernmental - Indirect federal	-	2,310,260	-	2,310,260
Intergovernmental - Direct federal	131,656	1,986,999	-	2,118,655
Total revenues	<u>21,330,568</u>	<u>5,987,098</u>	<u>1,675,277</u>	<u>28,992,943</u>
Expenditures:				
Current:				
Instruction	14,227,471	4,390,349	-	18,617,820
Support services:				
Students	955,714	430,330	-	1,386,044
Instructional staff	690,248	424,048	-	1,114,296
District administration	782,445	1,264	-	783,709
School administration	1,128,574	196,483	-	1,325,057
Business and other support services	370,217	31,494	-	401,711
Operation and maintenance of plant	2,351,076	80,007	-	2,431,083
Student transportation	1,572,880	128,386	-	1,701,266
Community services	-	337,346	-	337,346
Debt service	-	-	1,720,096	1,720,096
Total expenditures	<u>22,078,625</u>	<u>6,019,707</u>	<u>1,720,096</u>	<u>29,818,428</u>
Excess (deficiency) of revenues over expenditures	<u>(748,057)</u>	<u>(32,609)</u>	<u>(44,819)</u>	<u>(825,485)</u>
Other financing sources (uses):				
Gain on sale of equipment	12,448	(271)	-	12,177
Transfers in	9,254	42,134	1,392,466	1,443,854
Transfers out	(86,964)	(9,254)	(1,347,636)	(1,443,854)
Total other financing sources and uses	<u>(65,262)</u>	<u>32,609</u>	<u>44,830</u>	<u>12,177</u>
Net change in fund balances	(813,319)	-	11	(813,308)
Fund balances, June 30, 2004	<u>2,859,297</u>	<u>-</u>	<u>1,035</u>	<u>2,860,332</u>
Fund balances, June 30, 2005	<u>\$ 2,045,978</u>	<u>\$ -</u>	<u>\$ 1,046</u>	<u>\$ 2,047,024</u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Net change in fund balances—total governmental funds	\$	(813,308)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,041,362	
Depreciation expense	<u>(1,774,697)</u>	(733,335)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued sick leave

(42,350)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

1,180,000

Change in net assets of governmental activities

\$ (408,993)

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2005**

	Food Service Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 146,563
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	20,813
Inventories	54,351
Total current assets	<u>221,727</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>163,940</u>
Total noncurrent assets	<u>163,940</u>
Total assets	<u><u>\$ 385,667</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>\$ -</u>
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
<b>Net Assets</b>	
Designated for inventories	54,351
Unrestricted	<u>331,316</u>
Total net assets	<u><u>385,667</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Food Service Fund
Operating revenues:	
Lunchroom sales	\$ 519,233
Other operating revenues	30
Total operating revenues	<u>519,263</u>
Operating expenses:	
Salaries and wages	602,095
Employee benefits	330,506
Materials and supplies	726,219
Depreciation	27,653
Other operating expenses	18,051
Total operating expenses	<u>1,704,524</u>
Operating loss	<u>(1,185,261)</u>
Nonoperating revenues :	
Federal grants	814,603
Investment income	2,286
Donated commodities	92,465
State grants	256,069
Total nonoperating revenue	<u>1,165,423</u>
Decrease in net assets	(19,838)
Net assets, June 30, 2004	<u>405,505</u>
Net assets, June 30, 2005	<u><u>\$ 385,667</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Food Service Fund
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 519,233
Other receipts	30
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(643,414)
Payments to employees	(932,601)
Other payments	(18,051)
Net cash used for operating activities	<u>(1,074,803)</u>
Cash flows from noncapital financing activities:	
Government grants	1,161,328
Net cash provided by noncapital and related financing activities	<u>1,161,328</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(22,788)</u>
Net cash used for capital and related financing activities	<u>(22,788)</u>
Cash flows from investing activities:	
Interest received on investments	<u>2,286</u>
Net cash provided by investing activities	<u>2,286</u>
Net decrease in cash and cash equivalents	66,023
Cash and cash equivalents, June 30, 2004	<u>80,540</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ 146,563</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,185,261)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	27,653
Donated commodities	92,465
Change in assets and liabilities:	
Inventory	(9,660)
Accounts payable	<u>-</u>
Net cash provided by (used for) operating activities	<u><u>\$ (1,074,803)</u></u>
Non-cash items:	
Donated commodities	<u><u>\$ 92,465</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 100,653	\$ 315,350
Accounts receivable	-	47,855
Total assets	<u>100,653</u>	<u>363,205</u>
<b>Liabilities</b>		
Accounts payable	-	13,487
Due to students	-	349,718
Total liabilities	<u>-</u>	<u>363,205</u>
<b>Net assets held in trust</b>	<u><u>\$ 100,653</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Trust Funds</u>
Additions -	
Interest income	\$ 3,665
Deductions -	
Benefits paid	<u>3,500</u>
Change in net assets	165
Net assets, June 30, 2004	<u>100,488</u>
Net assets, June 30, 2005	<u><u>\$ 100,653</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
Revenues:				
Taxes -				
Property	\$ 2,970,402	\$ 3,162,288	\$ 3,186,463	\$ 24,175
Motor vehicles	750,000	770,000	776,433	6,433
Utilities	1,550,000	1,600,000	1,795,367	195,367
Tuition and fees	32,000	40,000	31,013	(8,987)
Interest income	58,000	100,000	132,092	32,092
Other local revenues	213,150	303,150	323,194	20,044
Intergovernmental - State	11,128,932	11,187,717	11,174,365	(13,352)
Intergovernmental - Direct federal	45,000	107,000	131,656	24,656
Total revenues	<u>16,747,484</u>	<u>17,270,155</u>	<u>17,550,583</u>	<u>280,428</u>
Expenditures:				
Current:				
Instruction	10,787,529	11,401,630	11,191,952	209,678
Support services:				
Students	958,478	1,063,132	882,727	180,405
Instructional staff	459,568	686,999	690,248	(3,249)
General administration	1,787,856	702,329	765,415	(63,086)
School administration	1,007,948	984,427	994,765	(10,338)
Business and other support services	270,406	344,266	333,724	10,542
Operation and maintenance of plant	1,935,912	2,196,909	2,115,085	81,824
Student transportation	1,115,679	1,283,599	1,324,724	(41,125)
Contingency	66,855	1,060,961	-	1,060,961
Total expenditures	<u>18,390,231</u>	<u>19,724,252</u>	<u>18,298,640</u>	<u>1,425,612</u>
Excess (deficiency) of revenues over expenditures	<u>(1,642,747)</u>	<u>(2,454,097)</u>	<u>(748,057)</u>	<u>1,706,040</u>
Other financing sources (uses):				
Gain on sale of equipment	7,500	2,500	12,448	9,948
Transfers in	-	9,254	9,254	-
Transfers out	<u>(164,753)</u>	<u>(79,830)</u>	<u>(86,964)</u>	<u>(7,134)</u>
Total other financing sources and uses	<u>(157,253)</u>	<u>(68,076)</u>	<u>(65,262)</u>	<u>2,814</u>
Net change in fund balances	(1,800,000)	(2,522,173)	(813,319)	1,708,854
Fund balances, June 30, 2004	<u>1,800,000</u>	<u>2,522,173</u>	<u>2,859,297</u>	<u>337,124</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,045,978</u>	<u>\$ 2,045,978</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 3,779,985	
On-behalf payments:				
Instruction			(3,035,519)	
Support services:				
Students			(72,987)	
General administration			(17,030)	
School administration			(133,809)	
Business and other support services			(36,493)	
Operation and maintenance of plant			(235,991)	
Student transportation			<u>(248,156)</u>	
Fund balance, June 30, 2005 (GAAP basis)			<u>\$ 2,045,978</u>	

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 716	\$ (284)
Other local revenues	65,673	65,673	123,474	57,801
Intergovernmental - State	1,568,303	1,568,303	1,565,649	(2,654)
Intergovernmental - Indirect federal	2,387,899	2,387,899	2,310,260	(77,639)
Intergovernmental - Direct federal	1,395,521	1,395,521	1,986,999	591,478
Total revenues	<u>5,418,396</u>	<u>5,418,396</u>	<u>5,987,098</u>	<u>568,702</u>
Expenditures:				
Current:				
Instruction	3,940,503	3,940,503	4,390,349	(449,846)
Support services:				
Students	357,220	357,220	430,330	(73,110)
Instructional staff	507,150	507,150	424,048	83,102
General administration	0	0	1,264	(1,264)
School administration	148,851	148,851	196,483	(47,632)
Business and other support services	28,919	28,919	31,494	(2,575)
Operation and maintenance of plant	52,883	52,883	80,007	(27,124)
Student transportation	82,510	82,510	128,386	(45,876)
Community services	326,106	326,106	337,346	(11,240)
Total expenditures	<u>5,444,142</u>	<u>5,444,142</u>	<u>6,019,707</u>	<u>(575,565)</u>
Excess (deficiency) of revenues over expenditures	<u>(25,746)</u>	<u>(25,746)</u>	<u>(32,609)</u>	<u>(6,863)</u>
Other financing sources (uses):				
Gain on sale of equipment	-	-	(271)	(271)
Transfers in	35,000	35,000	42,134	7,134
Transfers out	<u>(9,254)</u>	<u>(9,254)</u>	<u>(9,254)</u>	<u>-</u>
Total other financing sources and uses	<u>25,746</u>	<u>25,746</u>	<u>32,609</u>	<u>6,863</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**(1) REPORTING ENTITY**

The Boyd County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Boyd County School District (District). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Boyd County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing Board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

Boyd County School District Finance Corporation

On August 28, 1989, Boyd County, Kentucky, Board of Education resolved to authorize the establishment of the Boyd County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Boyd County Board of Education also comprise the Corporation's Board of Directors.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Boyd County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can

be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements—provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.



This is a major fund of the District.

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures. The District did not have any school construction funds in the current year.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

## II. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. The Hamilton Scholarship Fund is accounted for as an expendable trust fund on the modified accrual basis.

## Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues – Exchange and Non-exchange Transactions** – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

## Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2005 fiscal year was based was \$974,486,268.

The tax rates assessed for the year ended June 30, 2005 to finance general fund operations

were \$.39 on real estate and \$.41 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2005 were 95% of the tax levy.

#### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

#### Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 6 months or less, to be cash equivalents.

#### Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

#### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Budgetary Process

**Budgetary Basis of Accounting:** The Districts budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (12) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, accrued sick leave, and inventories. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future

periods. Designated fund balances represent tentative plans for future use of financial resources.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

#### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **(3) DEBT OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Boyd County Fiscal Court and the Boyd County School District Finance Corporation ("BCSDFC"), aggregating \$15,800,000.

#### Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the BCSDFC to construct school facilities and (2) the Board with the option to purchase the properties

under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996	\$ 425,000	4.60-5.70%
Issue of 1997	13,295,000	4.40-5.375%
Issue of 1999	2,080,000	4.00-5.25%
	<u>\$ 15,800,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2004</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2005</u>
General obligation bonds – \$15,800,000 originally issued with interest rates ranging from 4.00% to 5.70%	\$ 11,760,000	\$ -	\$1,180,000	\$ 10,580,000
5.49% demand note payable	25,131	-	13,578	11,553
Accumulated unpaid sick leave benefits	336,188	42,350	-	378,538
	<u>\$ 12,121,319</u>	<u>\$ 42,350</u>	<u>\$1,193,578</u>	<u>\$ 10,970,091</u>

In connection with the bond issues of 1996, 1997 and 1999, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2005 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Boyd County School District		Total
	Principal	Interest	Principal	Interest	
2006	\$ 225,336	\$ 140,141	\$ 1,009,664	\$ 344,909	\$ 1,720,050
2007	240,672	129,232	679,328	305,723	1,354,955
2008	253,270	117,479	711,730	273,033	1,355,512
2009	266,252	104,991	738,748	238,946	1,348,937
2010	279,655	91,760	785,345	203,130	1,359,890
2011-2015	814,354	325,005	2,165,646	678,405	3,983,410
2016-2020	822,637	98,888	1,587,363	127,173	2,636,061
	<u>\$2,902,176</u>	<u>\$1,007,496</u>	<u>\$ 7,677,824</u>	<u>\$ 2,171,319</u>	<u>\$ 13,758,815</u>

#### **(4) ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2005, this amount totaled \$378,538. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The District follows a policy of funding the estimated portion payable in one year based upon a historical average as a reservation of the General Fund balance.

#### **(5) RETIREMENT PLANS**

##### **A. Kentucky Teachers Retirement System:**

The Boyd County School District contributes to the Kentucky Teachers Retirement System ("KTRS"), a cost sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky.

The Kentucky Teachers Retirement System was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or by calling (502) 573-5120.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky contributes matching contributions at the rate of 13.105%. The Federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

The District's total payroll for the year was \$18,337,855. The payroll for employees covered under KTRS was \$13,653,769. For the year ended June 30, 2005, the Commonwealth of Kentucky contributed \$1,583,079 to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the year ending June 30, 2005, were \$206,248, which represents those employees covered by Federal programs.

**B. County Employee's Retirement System:**

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 8.48% of the employee's total compensation. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the year ending June 30, 2005, were \$381,720, equal to the required contributions for the year.

**(6) CASH AND CASH EQUIVALENTS**

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2005, the carrying amount of the Board's cash and cash equivalents was \$2,441,308 and the bank balances totaled \$3,098,274. Of the total bank balances, \$655,165 was insured by the Bank Insurance Fund and \$2,443,109 was secured by collateral held by the pledging banks in, the District's name.

General Fund cash and cash equivalents at June 30, 2005 consisted of a money market checking account.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.



## (7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2005</u>
Land	\$ 1,270,900	\$ -	\$ -	\$ 1,270,900
Land improvements	-	9,950	-	9,950
Buildings and improvements	59,163,577	213,990	-	59,377,567
Technology equipment	2,898,860	379,600	-	3,278,460
Vehicles	2,506,520	361,174	-	2,867,694
General	764,431	76,648	-	841,079
Infrastructure	36,172	-	-	36,172
Totals at historical cost	<u>66,640,460</u>	<u>1,041,362</u>	<u>-</u>	<u>67,681,822</u>
Less: accumulated depreciation -				
Land improvements	-	(249)	-	(249)
Buildings and improvements	(36,135,295)	(1,191,745)	-	(37,327,040)
Technology equipment	(2,184,260)	(377,830)	-	(2,562,090)
Vehicles	(1,965,395)	(144,408)	-	(2,109,803)
General	(522,870)	(58,657)	-	(581,527)
Infrastructure	(3,421)	(1,808)	-	(5,229)
Total accumulated depreciation	<u>(40,811,241)</u>	<u>(1,774,697)</u>	<u>-</u>	<u>(42,585,938)</u>
Governmental Activities Capital Assets - Net	<u>\$ 25,829,219</u>	<u>\$ (733,335)</u>	<u>\$ -</u>	<u>\$ 25,095,884</u>
<u>Business-Type Activities</u>				
Food service equipment	\$ 657,850	\$ 13,923	\$ -	\$ 671,773
Technology equipment	-	8,865	-	8,865
Totals at historical cost	<u>657,850</u>	<u>22,788</u>	<u>-</u>	<u>680,638</u>
Less: accumulated depreciation				
Food service and equipment	(489,045)	(26,543)	-	(515,588)
Technology equipment	-	(1,110)	-	(1,110)
Total accumulated depreciation	<u>(489,045)</u>	<u>(27,653)</u>	<u>-</u>	<u>(516,698)</u>
Business-Type Activities Capital Assets - Net	<u>\$ 168,805</u>	<u>\$ (4,865)</u>	<u>\$ -</u>	<u>\$ 163,940</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,582,910
District administration	22,103
School administration	6,130
Plant operation & maintenance	21,716
Student transportation	140,179
Community services	1,659
	<u>\$ 1,774,697</u>

## (8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations as lease payments are made. Total rent expenditures under operating type leases were approximately \$122,000.

## **(9) CONTINGENCIES**

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## **(10) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(11) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

## **(12) ON-BEHALF PAYMENTS**

For fiscal year 2005, the Commonwealth of Kentucky contributed payments on behalf of the Boyd County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,583,079
Health and Life Insurance Plans	2,432,897

These amounts are included in the financial statements as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

**(13) TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Capital Project Fund (FSPK)	Debt Service	\$ 44,830
Debt Service	Capital Project Fund (FSPK and SEEK)	Debt Service Fund	Debt Service	1,347,636
Operating	General Fund	Special Revenue Fund	Technology Match	42,134
Operating	Special Revenue Fund	General Fund	Indirect Costs	9,254

## **SUPPLEMENTAL INFORMATION**

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,046	\$ 27,413	\$ 28,459
Accounts receivable	-	-	-
Total assets	<u>\$ 1,046</u>	<u>\$ 27,413</u>	<u>\$ 28,459</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts payable	\$ -	\$ 27,413	\$ 27,413
Total liabilities	<u>-</u>	<u>27,413</u>	<u>27,413</u>
Fund Balances:			
Unreserved - designated for capital expenditures	1,046	-	1,046
Reserved for encumbrances	-	-	-
Total fund balance	<u>1,046</u>	<u>-</u>	<u>1,046</u>
Total liabilities and fund balances	<u>\$ 1,046</u>	<u>\$ 27,413</u>	<u>\$ 28,459</u>

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 662,651	\$ -	\$ 662,651
Earnings on investments	11	9,703	9,714
Intergovernmental - State	640,155	362,757	1,002,912
Total revenues	<u>1,302,817</u>	<u>372,460</u>	<u>1,675,277</u>
EXPENDITURES:			
Current -			
Debt service	-	1,720,096	1,720,096
Total expenditures	<u>-</u>	<u>1,720,096</u>	<u>1,720,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,302,817</u>	<u>(1,347,636)</u>	<u>(44,819)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	44,830	1,347,636	1,392,466
Operating transfers out	(1,347,636)	-	(1,347,636)
Total other financing sources (uses)	<u>(1,302,806)</u>	<u>1,347,636</u>	<u>44,830</u>
NET CHANGE IN FUND BALANCES	11	-	11
FUND BALANCE JUNE 30, 2004	<u>1,031</u>	<u>-</u>	<u>1,031</u>
FUND BALANCE JUNE 30, 2005	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 1,042</u>

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2005**

	FSPK Fund	SEEK Funds	Boyd County School District Finance Corporation	Total Capital Project Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,046	\$ 1,046
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046</u>	<u>\$ 1,046</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Unreserved - designated for capital expenditures	-	-	1,046	1,046
Reserved for encumbrances	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>1,046</u>	<u>1,046</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046</u>	<u>\$ 1,046</u>

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	FSPK Fund	SEEK Funds	Boyd County School District Finance Corporation	Total Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ 662,651	\$ -	\$ -	\$ 662,651
Earnings on investments	-	-	11	11
Intergovernmental - State	334,835	305,320	-	640,155
Total revenues	<u>997,486</u>	<u>305,320</u>	<u>11</u>	<u>1,302,817</u>
EXPENDITURES:				
Current -				
Instruction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>997,486</u>	<u>305,320</u>	<u>11</u>	<u>1,302,817</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	44,830	-	-	44,830
Operating transfers out	(1,042,316)	(305,320)	-	(1,347,636)
Total other financing sources (uses)	<u>(997,486)</u>	<u>(305,320)</u>	<u>-</u>	<u>(1,302,806)</u>
NET CHANGE IN FUND BALANCES	-	-	11	11
FUND BALANCE JUNE 30, 2004	<u>-</u>	<u>-</u>	<u>1,035</u>	<u>1,031</u>
FUND BALANCE JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046</u>	<u>\$ 1,042</u>



**BOYD COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	1972 & 1978 Bond Fund	1996 Bond Fund	1997 Bond Fund	1999 Bond Fund	Totals Debt Service Fund
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 27,413	\$ -	\$ -	\$ -	\$ 27,413
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,413</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 27,413	-	-	-	\$ 27,413
Total liabilities	<u>27,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,413</u>
<b>Fund Balances:</b>					
Unreserved	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,413</u>

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	1996 Bond Fund	1997 Bond Fund	1999 Bond Fund	Totals Debt Service Fund
REVENUES:				
Intergovernmental - State	\$ 36,715	\$ 161,881	\$ 164,161	\$ 362,757
Interest income	-	9,703	-	9,703
Total revenues	<u>36,715</u>	<u>171,584</u>	<u>164,161</u>	<u>372,460</u>
EXPENDITURES:				
Debt service	<u>36,715</u>	<u>1,519,220</u>	<u>164,161</u>	<u>1,720,096</u>
Total expenditures	<u>36,715</u>	<u>1,519,220</u>	<u>164,161</u>	<u>1,720,096</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>-</u>	<u>(1,347,636)</u>	<u>-</u>	<u>(1,347,636)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>-</u>	<u>1,347,636</u>	<u>-</u>	<u>1,347,636</u>
Total other financing sources (uses)	<u>-</u>	<u>1,347,636</u>	<u>-</u>	<u>1,347,636</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE JUNE 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF GRANT, RECEIPTS,  
DISBURSEMENTS AND FUND BALANCE  
HEAD START  
GRANT PROJECT NO. 04-CH-002409/38  
FOR THE YEAR ENDED JUNE 30, 2005**

AMOUNT OF GRANT		<u>\$ 1,395,520</u>
	<u>Budget</u>	<u>Actual</u>
RECEIPTS -		
OCD Funds -		
Amounts awarded this budget period	\$ 1,395,520	\$ 1,356,429
Grantee's contributions	348,880	348,880
	<u>1,744,400</u>	<u>1,705,309</u>
DISBURSEMENTS -		
OCD's Share -		
Head Start Full-Year/Part-Day (PA 22)		
Direct costs -		
Personnel	828,051	830,609
Fringe benefits	296,322	266,861
Supplies	39,790	51,340
Contractual	179,969	189,349
Travel	8,180	12,892
Other	38,208	32,703
	<u>1,390,520</u>	<u>1,383,754</u>
Training and Technical Assistance Grant (PA 20)		
Direct Costs -		
Contractual	5,000	-
	<u>5,000</u>	<u>-</u>
OCD's total	<u>1,395,520</u>	<u>1,383,754</u>
Grantee's Share -		
Head Start Full-Year/Part-Day (PA 22)	343,802	343,802
Handicapped (PA 20)	5,078	5,078
Grantee's Total	<u>348,880</u>	<u>348,880</u>
Total disbursement	<u>1,744,400</u>	<u>1,732,634</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(27,325)
ACCOUNTS RECEIVABLE	-	27,325
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF GRANT, RECEIPTS,  
DISBURSEMENTS AND FUND BALANCE  
HEAD START  
GRANT PROJECT NO. 04-CH-002409/37  
FOR THE YEAR ENDED JUNE 30, 2005**

AMOUNT OF GRANT				<u>\$ 1,382,615</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total Project</u>
RECEIPTS -				
OCD Funds -				
Amounts awarded this budget period	\$ 1,382,615	\$ 1,338,649	\$ 43,966	\$ 1,382,615
Grantee's contributions	<u>332,277</u>	<u>272,766</u>	<u>59,511</u>	<u>332,277</u>
	<u>1,714,892</u>	<u>1,611,415</u>	<u>103,477</u>	<u>1,714,892</u>
DISBURSEMENTS -				
OCD's Share -				
Head Start Full-Year/Part-Day (PA 22)				
Direct costs -				
Personnel	873,303	793,129	-	793,129
Fringe benefits	183,788	248,044	4,297	252,341
Supplies	70,135	63,758	20,298	84,056
Contractual	182,791	182,169	1,176	183,345
Travel	4,000	11,344	-	11,344
Other	<u>52,864</u>	<u>33,115</u>	<u>11,595</u>	<u>44,710</u>
	<u>1,366,881</u>	<u>1,331,559</u>	<u>37,366</u>	<u>1,368,925</u>
Training and Technical Assistance Grant (PA 20)				
Direct Costs -				
Contractual	<u>15,734</u>	<u>7,803</u>	<u>5,887</u>	<u>13,690</u>
	<u>15,734</u>	<u>7,803</u>	<u>5,887</u>	<u>13,690</u>
OCD's total	<u>1,382,615</u>	<u>1,339,362</u>	<u>43,253</u>	<u>1,382,615</u>
Grantee's Share -				
Head Start Full-Year/Part-Day (PA 22)	327,199	271,116	56,083	327,199
Handicapped (PA 20)	<u>5,078</u>	<u>1,650</u>	<u>3,428</u>	<u>5,078</u>
Grantee's Total	<u>332,277</u>	<u>272,766</u>	<u>59,511</u>	<u>332,277</u>
Total disbursement	<u>1,714,892</u>	<u>1,612,128</u>	<u>102,764</u>	<u>1,714,892</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(713)	713	-
ACCOUNTS RECEIVABLE	-	713	(713)	-
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Cash Balance June 30, 2004 \$	Receipts	Disbursements	Cash Balance June 30, 2005 \$	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2005 \$
Boyd County High School	67,628	432,321	470,557	29,392	4,362	4,807	28,947
Boyd County Middle School	44,858	295,317	290,574	49,601	2,134	2,130	49,605
Cannonsburg Elementary	6,422	53,309	53,230	6,501	-	-	6,501
Ponderosa Elementary	28,245	31,073	34,181	25,137	-	-	25,137
Summit Elementary	33,697	80,719	83,311	31,105	-	-	31,105
Calletsburg Elementary	3,927	33,415	34,216	3,126	-	-	3,126
Early Childhood Learning Center	198	1,993	1,570	621	-	-	621
Cannonsburg Day Care	41,687	64,978	61,820	44,845	1,880	6,541	40,184
Calletsburg Day Care	17,517	22,246	20,987	18,776	1,000	9	19,767
Boyd County Child Care	159,494	216,385	271,150	104,729	-	-	104,729
Fiscal Agent Fund	-	187,157	187,157	-	-	-	-
Day Care Payroll Clearing	(38,050)	285,569	285,998	(38,479)	38,479	-	-
Youth Services Center	14,480	14,310	15,423	13,367	-	-	13,367
Vocational School	11,643	48,190	33,204	26,629	-	-	26,629
	<u>\$ 337,344</u>	<u>\$ 1,766,982</u>	<u>\$ 1,843,378</u>	<u>\$ 315,350</u>	<u>\$ 47,855</u>	<u>\$ 13,487</u>	<u>\$ 349,718</u>

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**BOYD COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Cash Balance June 30, 2004	Receipts	Disburse- ment	Cash Balance June 30, 2005	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2005
Academics	\$ 1,940	\$ 1,433	\$ 3,373	\$ -	\$ 100	\$ 100
AED	11	-	11	-	-	-
Art	206	720	518	408	-	408
Athletic	882	19,109	19,991	-	-	-
AVID	11	-	-	11	-	11
Band	621	3,892	4,379	134	-	134
Baseball	2,715	25,988	28,703	-	4,262	4,262
Beta Club	237	2,709	2,773	173	-	173
Biology Club	50	233	-	283	-	283
Book	565	92	657	-	-	-
Book rental	-	25,854	25,854	-	-	-
Boys Basketball	805	19,428	20,233	-	-	-
Boys Cross Country	456	2,535	2,764	227	-	227
Boys Golf	100	60	159	1	-	1
Boys Soccer	-	3,314	3,314	-	-	-
Boys Track	-	1,028	747	281	-	281
Broadcast Journalism	28	338	133	233	-	233
Bus Transportation	-	18,982	14,175	4,807	(4,807)	-
Business Dept.	3,131	628	3,576	183	-	183
CATS Test	825	-	267	558	-	558
CBWT Program	59	500	559	-	-	-
Chess	50	-	-	50	-	50
Choir	778	6,551	6,579	750	-	750
Close-up	832	-	832	-	-	-
Color Copier	316	250	298	268	-	268
Correspondence	963	1,370	1,370	963	-	963
Cross Country/Track	-	2,465	2,279	186	-	186
Dance Team	3,041	28,603	29,626	2,018	-	2,018
DECA	23	-	-	23	-	23
Drama club	-	290	-	290	-	290
DRGTED	572	680	828	424	-	424
English Department	-	121	121	-	-	-
Extra Custodial	-	5,035	5,035	-	-	-
Ext. School Service	1,030	62	634	458	-	458
FBLA	700	3,590	3,977	313	-	313
FCA	740	-	40	700	-	700
FCCLA	1,654	10,617	11,409	862	-	862
Football	4,052	35,032	39,084	-	-	-
French club	166	81	247	-	-	-
Freshmen	445	147	592	-	-	-
Friendship Fund	493	2,498	2,991	-	-	-
GC grant	-	500	375	125	-	125
General Fund	586	2,338	2,744	180	-	180
German club	485	165	554	96	-	96
Gifted	-	1,117	546	571	-	571
Girls Basketball	2,445	24,431	25,897	979	-	979
Girls Track	-	2,348	2,228	120	-	120
Girls Golf	39	-	-	39	-	39
Girls Soccer	3,474	3,627	6,405	696	-	696
Guidance	886	7,456	7,271	1,071	-	1,071
History club	-	1,989	1,989	-	-	-
Home Economics	886	4,017	4,445	458	-	458
Human Rights Club	25	52	39	38	-	38
Insurance	64	-	64	-	-	-
Internet	1,100	2,483	3,583	-	-	-
Junior class	1,898	7,168	8,198	868	-	868
J.V. Cheerleaders	-	911	872	39	-	39
			- 43 -			

**BOYD COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**BOYD COUNTY HIGH SCHOOL - CONCLUDED**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Cash Balance June 30, 2004	Receipts	Disburse- ment	Cash Balance June 30, 2005	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2005
J.V. Cheer-Arrears	-	435	435	-	-	-
KDK Grant	6	-	-	6	-	6
Key Club	-	3,043	2,928	115	-	115
Kitchen creations	396	1,805	2,022	179	-	179
Library	106	739	299	546	-	546
Literary Magazine	1,031	469	1,500	-	-	-
Locker	2,830	2,594	5,330	94	-	94
Math	1,997	240	1,505	732	-	732
Miscellaneous	1,962	23,001	24,963	-	-	-
Mock Trial	1	-	-	1	-	1
Mu Alpha Theta	82	26	-	108	-	108
Newspaper	122	1,124	843	403	-	403
NEKSPA	1,464	-	1,464	-	-	-
NJROTC - FR	5,490	18,856	24,267	79	-	79
NJROTC - UMS	659	623	566	716	-	716
P.E.	25	-	-	25	-	25
Registrar	29	505	229	305	-	305
SC-AEP	160	-	-	160	-	160
Science	1,422	3,277	3,905	794	-	794
Science Club	203	2,360	2,025	538	-	538
Senior class	-	9,463	8,878	585	-	585
Senior class trip fund	5	17,366	17,371	-	-	-
Social studies	182	74	113	143	-	143
Softball	-	5,246	4,906	340	-	340
Soft Drink Account	-	20,709	20,709	-	-	-
Sophomore class	821	4,157	4,462	516	-	516
Spanish Club	3,248	6,525	9,275	498	-	498
Sports Medicine	1,194	5,514	6,225	483	-	483
Student I.D.	255	82	-	337	-	337
Student Council	582	1,724	2,090	216	-	216
Studio	61	-	-	61	-	61
Super Quick	1,000	1,000	1,000	1,000	-	1,000
Swimming	-	3,195	3,195	-	-	-
Telephone	385	3,337	3,536	186	-	186
T.L.C.	4	-	-	4	-	4
Tri M Club	-	319	201	118	-	118
Varsity Cheer-Arrears	-	1,325	1,325	-	-	-
Volleyball	-	2,475	2,475	-	-	-
Y Club	-	84	84	-	-	-
Yearbook	1,521	7,792	9,093	220	-	220
	<u>\$ 67,628</u>	<u>\$ 432,321</u>	<u>\$ 470,557</u>	<u>\$ 29,392</u>	<u>\$ (445)</u>	<u>\$ 28,947</u>

**BOYD COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Direct:				
21st Century Community Learning Centers	84.287		\$ 700,233	\$ 559,991
				<u>559,991</u>
Passed through State Department of Education:				
Title I	84.010	0351-05-01	742,993	694,283
Title I	84.010	0351-04-01	692,684	15,230
Delinquent Children	84.020	0351-05-09	204,978	204,978
Migrant Education	84.013	0352-04-03	19,401	1
Title V, Innovative Strategy	84.298	0533-05-02	13,882	13,882
Title V, Smaller Learning	84.318	0736-04-02	19,508	221
Title V, Smaller Learning	84.318	0736-05-02	18,614	18,614
Title V, Smaller Learning	84.215	0736-05-02	46,173	46,173
IDEA, Part B	84.027	0581-04-02	629,486	129,321
IDEA, Part B	84.027	0581-05-02	716,986	678,548
Reading First	84.357	0522-03-02	155,250	941
Reading First	84.357	0522-04-02	150,000	150,000
Title II, Teacher Quality	84.367	0710-05-02	208,442	204,297
Title II, Teacher Quality	84.367	0710-04-02	211,055	9,784
Basic Title I, Part C	84.048	5462-04-32	1,720	1,720
Basic Title I, Part C	84.048	5462-05-32	36,230	35,932
Service Learning Grant	94.004	0743-04-02	4,000	86
Service Learning Grant	94.004	0743-05-02	3,000	2,893
Drug-Free Schools and Communities	84.186	0590-04-02	24,012	1,451
Drug-Free Schools and Communities	84.186	0590-05-02	21,289	916
Homeless Child	84.196	0730-04-00	50,000	171
Homeless Child	84.196Q	0730-05-00	54,000	53,999
IDEA B - Preschool	84.173	0587-05-02	46,781	46,481
IDEA B - Preschool	84.173	0587-04-02	46,638	5,246
				<u>2,315,168</u>
Total U.S. Department of Education				<u>2,875,159</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head start	93.600	-	1,382,615	43,253
Head start - Governance Training	93.600	-	4,000	4,000
Head start - Youth Mentoring	93.600	-	33,829	33,829
Head start - Fatherhood Involvement	93.600	-	4,000	4,000
Head start	93.600	-	1,341,925	1,341,925
Total U.S. Department of Health and Human Services				<u>1,427,007</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
ROTC	12.630	-	-	48,835
Total U.S. Department of Defense				<u>48,835</u>



**BOYD COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education:				
National School Lunch Program	10.555	0575-04-02	-	193,917
National School Lunch Program	10.555	0575-05-02	-	442,830
National School Child Care Program	10.558	0579-04-21	-	2,353
National School Child Care Program	10.558	0579-05-21	-	11,169
National School Summer Meal Reimbursement	10.559	0574-04-23	-	27,510
National School Summer Meal Reimbursement	10.559	0569-04-24	-	2,857
National School Breakfast Program	10.553	0576-04-05	-	70,802
National School Breakfast Program	10.553	0576-05-05	-	167,343
				<u>918,781</u>
Passed through State Department of Agriculture:				
Commodities Program	10.559	-	-	92,465
Total U.S. Department of Agriculture				<u>1,011,246</u>
Total Federal Assistance				<u>\$ 5,362,247</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, the organization had total inventory of \$54,351.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Boyd County School District  
Ashland, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements* and *Appendix III to the Independent Auditor's Contract - Electronic Submission*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that we have reported to management of the Boyd County School District in a separate letter dated July 20, 2005.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract - Electronic Submission*.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Kelley, Galloway & Company, PSC*

July 20, 2005



Kelley,  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Boyd County School District  
Ashland, Kentucky

**Compliance**

We have audited the compliance of the Boyd County School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boyd County School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kelley, Galloway & Company, PSC*

July 20, 2005

**BOYD COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**(A) SUMMARY OF AUDIT RESULTS**

1. An unqualified opinion was issued on the basic financial statements.
2. The audit of the basic financial statements of Boyd County School District as of and for the year ended June 30, 2005, did not disclose any internal control related reportable conditions.
3. The audit did not disclose any noncompliance which is material to the basic financial statements of Boyd County School District as of and for the year ended June 30, 2005.
4. There were no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance over major programs.
6. The audit did not disclose any findings and questioned costs related to federal awards for the year ended June 30, 2005.
7. The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2005:
  - Head start (93.600)
  - Title I (84.010)
  - Food Service Cluster (10.553, 10.555, 10.558, and 10.559)
  - Special Education (IDEA-B) Cluster (84.027 and 84.173)
  - 21<sup>st</sup> Century (84.287)
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The District qualified as a low-risk auditee under OMB Circular A-133 *Audits of States, Local Governments and Non-profit Organizations*.

**(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None noted in the current year.

**(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

There were no findings in the current year.

**BOYD COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

There were no findings in the prior year.

**BOYD COUNTY SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2005**

No corrective action plan needed in the current year.





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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Boyd County School District  
Ashland, Kentucky

In planning and performing our audit of the financial statements of Boyd County School District (the "District") for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated July 20, 2005, contains our report on internal control over financial reporting which disclosed no internal control related matters which were considered to be material weaknesses. This letter does not affect our report dated July 20, 2005, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Kelley, Galloway & Company, PSC*  
July 20, 2005

**BOYD COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER POINTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

Boyd County Middle School

We noted an instance where a check was made out to "Cash" to pay for dinner on a field trip. We noted the only support for the disbursement was a purchase order signed by the sponsor. We recommend that checks made out to cash be avoided if possible. If this is not possible, receipts should be returned to substantiate the payment and any excess funds deposited. We also recommend that the principal approve the purchase order.